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China, Peoples Republic of

Canned Deciduous Fruit

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Report Highlights:

Canned peach production is forecast to be up 6 percent in MY2006 from the previous year to 234,050 MT as a result of steady growth in exports and domestic demand. Canned pears are forecast to be up 7 percent to 57,450 MT, driven by growing exports. Production of canned mixed fruit and canned apricots is expected to be up 45 percent and 10 percent respectively to 26,540 MT and 7,400 MT, also due to strong exports.

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Executive Summary

Canned peach production is forecast to be up 6 percent in MY2006 from last year to 234,050 MT as a result of steady growth in exports and domestic demand. Canned pears are forecast to be up 7 percent to 57,450 MT driven by growing exports. Production of canned mixed fruit and canned apricots is expected to be up 45 percent and 10 percent respectively to 26,540 MT and 7,400 MT, also attributable to strong exports.

Industry complains that the fruit canning industry is one of the least profitable in China. The central government does not provide special assistance to canning companies that face rising production costs for inputs including fresh fruit, tin, sugar, fuel, and currency appreciation.

Domestically, per capita consumption of canned fruit is very low and is not expected to increase significantly in the short term. Chinese prefer fresh fruit to canned fruit. The availability of a wide range of fresh fruit and the perception that canned fruit contains additives further limits consumption growth. Canned peaches, however, as a traditional dessert in China, are an exception to the stagnant trend of other canned fruits. Canned peach consumption is forecast to be up nearly 4 percent in MY2006 to 145,000 MT. Canned fruit is mainly consumed in northeast China and in major cities like Beijing and Shanghai.

Limited marketing efforts are focused on northeast China where people traditionally eat canned fruit after drinking. Overseas buyers of private label goods contract many export-oriented canneries to produce canned fruit; a small number of companies with their own brands market their products at international trade shows or advertise their products in other venues.

Canned peach exports are growing thanks mainly to the Japanese market, but depend on competition from Greece, the world top canned peach supplier. Exports of other canned fruit, while starting from a smaller base, are expanding quickly thanks to strong world demand.

Production

Stable world and domestic demand push canned peach production up

Canned peach production is forecast to be up 6 percent to 234,050 metric tons (MT) in the 2006 marketing year (MY) as a result of steady growth in exports and domestic demand. In MY2005, production is estimated to be up 7 percent to 220,000 MT from 205,000 MT in the previous year.

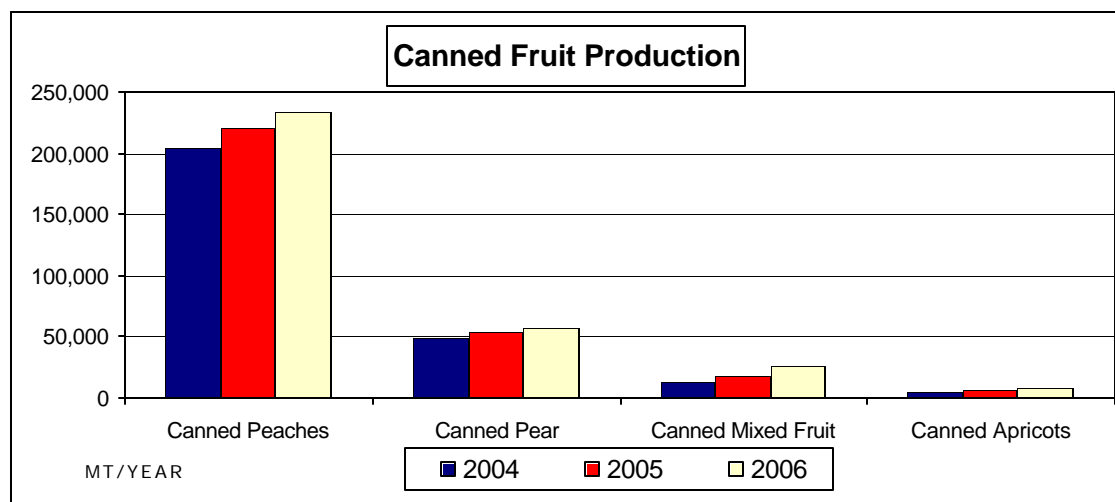
China produces both canned white peaches and canned yellow peaches. Currently, canned white peaches account for one fourth of total canned peach production. Despite the fact that China's fresh peach production is increasing quite fast, yellow peach production is growing slowly. Although farmers increased planted acreage for yellow peaches in 2004, when market prices increased to record highs because of a sharp decline in yellow peach production in the world's major producing countries, it will take a couple more years for those groves to work their way into production.

Industry sources complained that the canning industry is one of the least profitable within China's food industry. Constraints include limited domestic market demand, small operations, and low levels of industrialization. Rising production costs are the most pressing issue. The prices of fresh white and yellow peaches were recorded at 1.5 RMB per kilogram (\$US = 8 RMB) and 2.5-3 RMB per kilogram, respectively, in MY2005, up 10 to 20 percent from the previous year. The costs of tin (exclusively used for export products since domestic products use glass jars), sugar, fuel, and labor have increased annually, but market prices for peaches have not kept pace. Exporting companies also fear future currency appreciation.

Export growth a key factor to expand canned pears, mixed fruit and apricots

Canned pears are forecast to be up 7 percent to 57,450 MT in MY2006, driven by growing exports. In MY2005, production is estimated to be up nearly 8 percent to 53,500 MT from 49,800 MT in the previous year.

Production of canned mixed fruit and canned apricots is forecast to be up 45 percent and 10 percent to 26,540 MT and 7,400 MT, respectively, in MY2006 as a result of strong export growth. In MY2005 canned mixed fruit and canned apricots are estimated to be up 32 percent and 40 percent to 18,310 MT and 6,680 MT respectively from 13,884 MT and 4,797 MT in the previous year.



Consumption

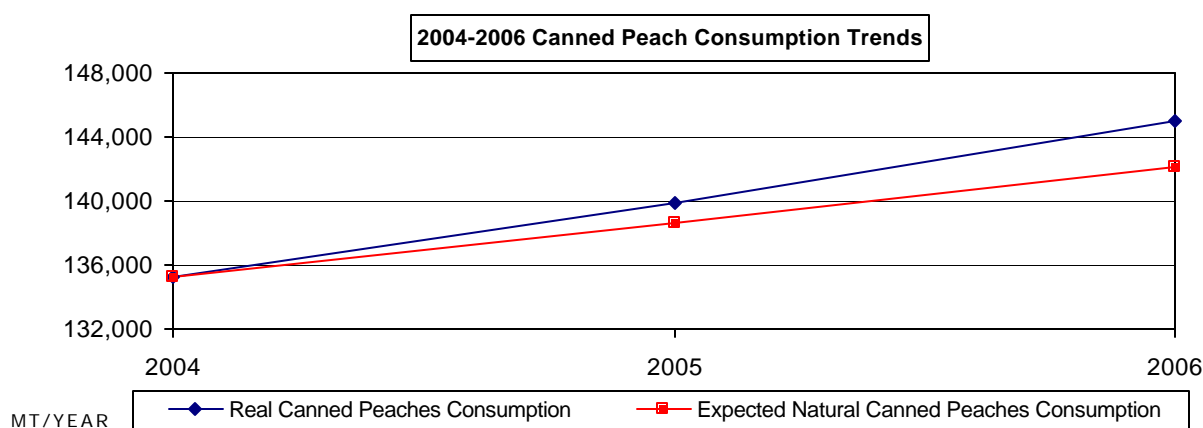
Canned fruit consumption up, despite some dietary concern

Total canned fruit consumption has increased from the past year due to the novelty appeal of canned mixed fruit and the growing traditional consumption of canned peaches. In cold areas like northeast China, the tradition of serving canned fruit drinks continues. Two thirds of canned fruit is consumed in northeast China. Other major consumption areas include Beijing and Shanghai. Dietary concerns and minimal exposure of canned fruit may constrain major growth in the future. In southern China, such as Guangdong, few people eat canned fruit. In most parts of China, people prefer fresh fruit to canned fruit. Per capita consumption levels of canned fruit are very low and are not expected to increase significantly in the short term. The availability of a wide variety of fresh fruit limits consumption growth in canned fruit. Another factor that affects people's buying interest is the perception among Chinese that canned fruit contains preservatives that are not good for their health.

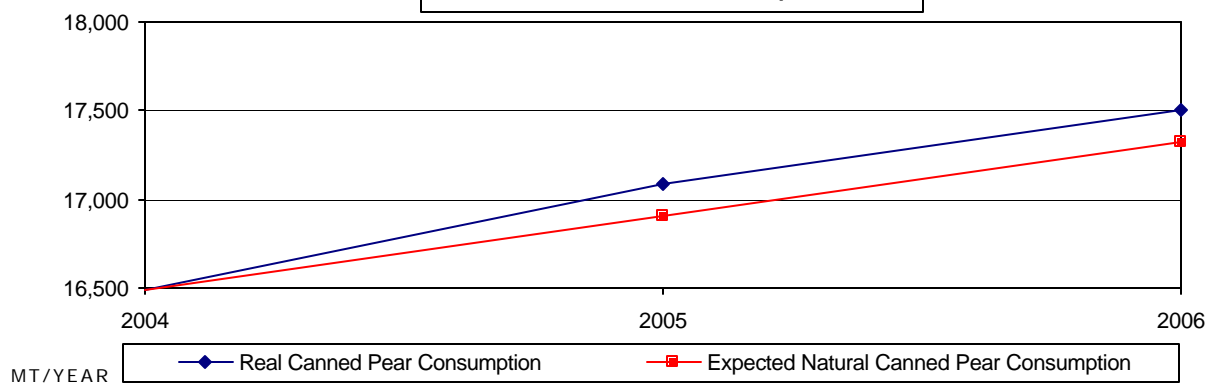
Canned yellow peaches, a traditional canned fruit in China, are the most popular. As a result, the consumption of canned peaches continues to grow steadily and is forecast to be up nearly 4 percent to 145,000 MT in MY2006. The MY2005 consumption is estimated up 3 percent to 139,825 MT from 135,226 MT in the previous year.

The consumption of other canned fruits is also growing slightly because people have better access to the products as a result of more supermarkets in urban areas. The total amount, however, is limited. The novelty of canned mixed fruit has caused the consumption to grow rapidly. Canned pear consumption is forecast to be up 2 percent to 17,500 MT in MY2006. In MY2005, consumption is estimated to be up 3 percent to 17,082 MT from 16,493 MT, in the previous year. The consumption of canned mixed fruit and canned apricots is forecast to be up 6 percent and 2 percent to 2,840 MT and 1,150 MT, respectively, in MY2006. In MY2005, consumption is estimated to be up 5 percent and 2 percent respectively to 2,680 MT and 1,120 MT.

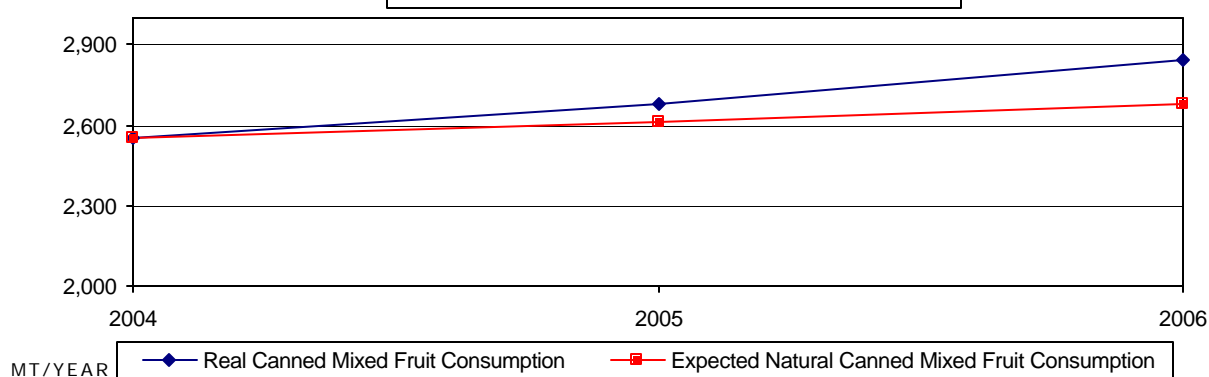
The expected natural consumption growth (2.5%: 1% due to population growth, and 1.5% due to urban migration, assuming an urban market) contrasts with real consumption growth. The graphs below chart the difference between the real consumption growth and the expected natural consumption growth for each different type of canned deciduous fruit.



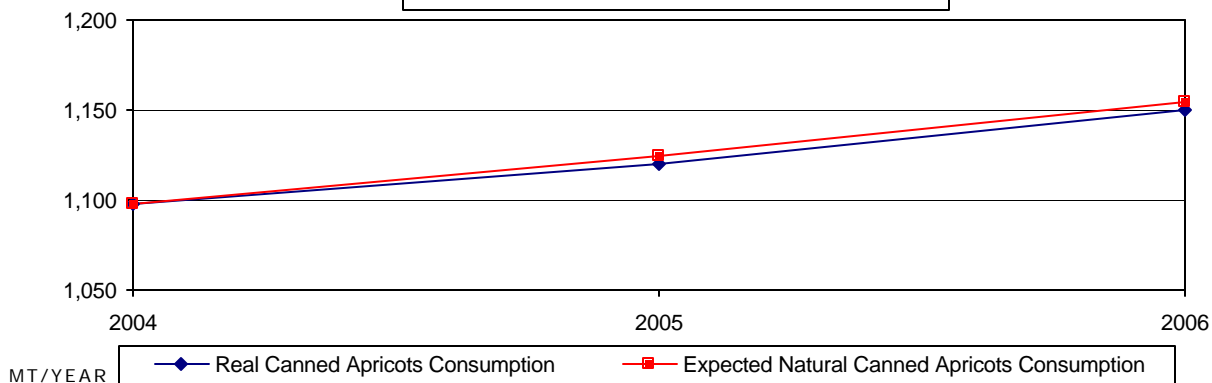
2004-2006 Canned Pear Consumption Trends



2004-2006 Canned Mixed Fruit Consumption Trends



2004-2006 Canned Apricots Consumption Trends



Real consumption rates weighted by the adjusted consumption rate provide a slightly different picture from a simple analysis that doesn't allow for natural growth.

Type of Canned Fruit	Real Consumption Rate	Weighted Consumption Rate
Peaches	4%	1%
Pears	2%	0.6%
Mixed Fruit	6%	2.8%
Apricots	2%	0.0%

Trade

Canned peach exports growing but dependent on competition from Greek peaches

The majority of canned fruit products are contracted for overseas labels and only a few canneries export their own brands. Most canned white peaches from China are exported to Japan. Canning companies target the Japanese market because it offers high prices. Others focus on multiple markets, which include the U.S., E.U., Russia, Thailand and South Korea, because they offer lower prices with lower quality standards. The export volumes of yellow peaches depend on Greece's production, which is the world's top supplier of canned yellow peaches. Canned peach exports are forecast to be up 10 percent to 90,000 MT in MY2006. China is estimated to export 82,000 MT of canned peaches in MY2005, up more than 12 percent from 72,713 MT in the previous year.

Exports of other canned fruit expanding due to strong world demand

Canned pear exports are growing quickly to meet European demand. The MY2006 exports are forecast to be up 11 percent to 40,000 MT. In MY2005 canned pear exports are estimated to be up 9 percent to 36,500 MT from 33,344 MT in the previous year. Canned mixed fruit and canned apricot exports are increasing even faster and the volumes are forecast to be up 48 percent and 10 percent in MY2006 to 24,000 MT and 6,500 MT, respectively. In MY2005, export volumes for canned mixed fruit and canned apricots are estimated to be up 32 percent and 48 percent from 12,234 MT and 3,981 MT in the previous year, respectively.

China imports a limited amount of canned peaches from the U.S. and South Africa, but volumes are declining rapidly.

Policy

Little government support to the private sector

The Chinese government does not provide special assistance to canning companies. Like many other companies that export agricultural products, canneries receive a 13 percent VAT rebate after their products are exported. If they are considered leading agro-businesses in their respective provinces, they may get preferential policy support, such as subsidized loans, from the provincial governments.

Import tariffs and VAT for canned fruit remain unchanged from 2005 (see tables below). The Chinese canning industry follows the national standard *GB 11671-2003 Hygienic Standard for Canned Fruits and Vegetables*, which stipulates the food safety production requirements, including the use of food additives and testing methods.

Import Tariff and VAT for Canned Deciduous Fruit in 2006

HS Code	Description	Tariff	VAT
20084010	Pears, in airtight containers	20%	17%
20085000	Apricots, prepared or preserved	20%	17%
20086000	Cherries, prepared or preserved	20%	17%
20087010	Peaches/nectarines, in airtight containers	10%	17%
20089200	Mixtures, prepared or preserved	10%	17%
Source: China Customs			

Marketing

Limited number of marketing programs focus on major consumption areas

With the production costs of canned fruit up, canning companies are limiting extensive expenditure on marketing. What marketing activities there are focus on major consumption areas such as northeast China. Billboards, bus advertisements and discount sales at stores are the most commonly used promotion tools. TV commercials are used occasionally. While dietary habits do not change overnight, these company-based marketing activities are expanding consumption.

Overseas buyers for private label goods contract many export-oriented canneries to produce canned fruit; a small number of companies with their own brands market their products at international trade shows or advertise their products on the Internet.

For more information about market developments related to canned fruit in China, contact one of the following USDA Agricultural Trade Offices:

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Fax: 86-10-8529-6692	Fax: 86-20-8666-0703	Fax: 86-21-6279-8336
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Tables

Production, Supply, and Demand (PSD) Tables

Canned peaches

PSD Table						
Country	China, Peoples Republic of					
Commodity	Peaches, Canned				(MT)(MT, Net Weight)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06/2004		06/2005		06/2006
Deliv. To Processors	300750	307500	309000	330000	0	343575
Beginning Stocks	0	0	0	0	0	0
Production	200500	205000	206500	220000	0	234050
Imports	5135	2939	4300	1825	0	950
TOTAL SUPPLY	205635	207939	210800	221825	0	235000
Exports	71090	72713	75000	82000	0	90000
Domestic Consumption	134545	135226	135800	139825	0	145000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	205635	207939	210800	221825	0	235000

Trade Matrices for Canned Peaches

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Peaches, Canned		
Time Period		Units:	MT
Exports for:	2004		2005
U.S.	8633	U.S.	13989
Others		Others	
Japan	36733	Japan	37938
Russia	4960	Thailand	3941
Yemen	3890	Russia	3918
New Zealand	2157	South Korea	2739
Thailand	2036	Yemen	2472
Saudi Arabia	1307	Canada	1907
Australia	1288	New Zealand	1820
South Korea	1178	Philippines	1256
Czech Republic	959	Saudi Arabia	1159
Canada	948	Australia	922
Total for Others	55456		58072
Others not Listed	7001		5343
Grand Total	71090		77404

Import Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Peaches, Canned		
Time Period		Units:	MT
Imports for:	2004		2005
U.S.	3783	U.S.	1345
Others		Others	
South Africa	1040	South Africa	653
Greece	238	Greece	148
Japan	36	Japan	31
China	36	China	16
South Korea	2	Thailand	1
		South Korea	1
Total for Others	1352		850
Others not Listed	0		0
Grand Total	5135		2195

Canned Pears

PSD Table						
Country	China, Peoples Republic of					
Commodity	Pears, Canned				(MT)(MT, Net Weight)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06/2004		06/2005		06/2006
Deliv. To Processors	73600	79680	79200	85600	0	91900
Beginning Stocks	0	0	0	0	0	0
Production	46000	49800	49500	53500	0	57450
Imports	37	37	50	82	0	50
TOTAL SUPPLY	46037	49837	49550	53582	0	57500
Exports	29985	33344	33000	36500	0	40000
Domestic Consumption	16052	16493	16550	17082	0	17500
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	46037	49837	49550	53582	0	57500

Export Trade Matrix for Canned Pears

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Pears, Canned		
Time Period		Units:	MT
Exports for:	2004		2005
U.S.	12446	U.S.	14126
Others		Others	
Germany	5004	Germany	4135
Thailand	1577	Greece	3146
Spain	1338	Japan	1956
Greece	1155	Canada	1577
Canada	934	Spain	1100
Japan	886	Italy	1033
Yemen	659	Yemen	1000
Russia	641	Russia	989
Czech Republic	571	Netherlands	640
Thetherlands	429	Thailand	421
Total for Others	13194		15997
Others not Listed	4345		4481
Grand Total	29985		34604

Canned Mixtures

PSD Table						
Country	China, Peoples Republic of					
Commodity	Canned Mixtures				(MT)(MT, Net Weight)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06/2004		06/2005		06/2006
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	9400	13884	11100	18310	0	26540
Imports	913	906	1200	582	0	300
TOTAL SUPPLY	10313	14790	12300	18892	0	26840
Exports	7757	12234	9300	16212	0	24000
Domestic Consumption	2556	2556	3000	2680	0	2840
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	10313	14790	12300	18892	0	26840

Trade Matrices for Canned Mixtures

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Canned Mixtures		
Time Period		Units:	MT
Exports for:	2004		2005
U.S.	2517	U.S.	3151
Others		Others	
Spain	702	Japan	2082
Canada	680	Canada	2071
Germany	620	Spain	2019
New Zealand	323	Germany	1131
Czech Republic	289	France	485
Japan	283	Australia	448
UAE	205	Russia	375
Puerto Rico	187	Puerto Rico	370
Yemen	181	UK	336
Netherlands	136	UAE	333
Total for Others	3606		9650
Others not Listed	1634		3163
Grand Total	7757		15964

Import Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Canned Mixtures		
Time Period		Units:	MT
Imports for:	2004		2005
U.S.	6	U.S.	2
Others		Others	
Philippines	538	Philippines	544
Thailand	363	Thailand	207
France	3	Singapore	17
South Africa	2	Australia	1
Australia	1		
Total for Others	907		769
Others not Listed	0		0
Grand Total	913		771

Canned Apricots

PSD Table						
Country	China, Peoples Republic of					
Commodity	Canned Apricots				(MT)(MT, Net Weight)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06/2004		06/2005		06/2006
Deliv. To Processors	4940	6230	5420	8684	0	9620
Beginning Stocks	0	0	0	0	0	0
Production	3800	4797	3940	6680	0	7400
Imports	356	284	260	340	0	250
TOTAL SUPPLY	4156	5081	4200	7020	0	7650
Exports	3045	3981	3100	5900	0	6500
Domestic Consumption	1111	1100	1100	1120	0	1150
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	4156	5081	4200	7020	0	7650

Export Trade Matrix for Canned Apricots

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Canned Apricots		
Time Period		Units:	MT
Exports for:	2004		2005
U.S.	17	U.S.	24
Others		Others	
Germany	1067	Russia	1621
Russia	553	Germany	1469
Czech Republic	416	Japan	533
Australia	270	Estonia	446
Canada	244	Canada	410
Netherlands	108	Australia	311
Israel	88	New Zealand	150
New Zealand	77	UK	122
Estonia	54	France	92
Japan	41	Israel	87
Total for Others	2918		5241
Others not Listed	110		422
Grand Total	3045		5687